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Title: **Strategic Financial Intermediaries with Brokerage Activities**

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In this paper, we study the strategic use by banks of their brokerage activities.

We consider a situation where $N$ competing banks engage in brokerage activities and have access to private information about the liquidation value of a risky asset could use their brokerage divisions to enhance their own profits. Selling brokerage activities, banks receive orders from their clients. This order flow is considered as uninformative i.e. as being noise. The banks’ ability to observe part of the total order flow i.e. its own volume and the one of its clients, even though it does not incorporate any private information, gives valuable information concerning the level of noise trading in the market. We show that taking advantage of that information, i.e. the strategic use of their brokerage activities, increases the banks’ expected profits. However, we prove that the aggregate expected profit is lower when banks strategically use their brokerage activities.

**BIOGRAPHIES**

**Laurent Germain** is Professor of Finance and the Head of the Finance Group at Toulouse Business School. He teaches also at ISAE. His research interests are Market Microstructure, Behavioral Finance and Corporate Finance. He is graduated from Toulouse Business School, Toulouse School of Economics, New York University and University Paris Dauphine. After a Post doctorate at London Business School in 1996 financed by the European Commission he got a position of Assistant Professor of Finance at London Business School. He left LBS in 2000 to join TBS. He is one of the Director of the European Financial Management Association and published articles in leading journals such as Review of Financial Studies, Journal of Financial and Quantitative Analysis, Journal of Financial Intermediation…

**Anne Vanhems** is professor of statistics in Toulouse Business School, France. She obtained her PhD in applied mathematics in 2001 at the University of Toulouse, France and is also graduated from ENSAE, Paris. She obtained the Fulbright grant to visit the Bendheim center at Princeton University in 2002. She was a visiting professor at the Economic department of University College London.
She is working on structural nonparametric econometrics, as well as on estimation of hedge funds performances and market microstructure.

**Fabrice Rousseau** is Lecturer at the National University of Ireland Maynooth. His research interests include Market Microstructure, Corporate Finance with a focus on the design of Initial Public Offerings, Behavioral Finance and Financial Integration. He graduated from the University of Toulouse and holds a PhD in Finance from the Universitat Autonoma de Barcelona. Immediately after his PhD completion he joined the Department of Economics, Finance and Accounting at NUI Maynooth. From July 2006 to June 2007, he was visiting scholar at the Department of Economics at Arizona State University. Some of his research has been published in The Manchester School.